



O R A N G E C O U N T Y

AUDITOR-CONTROLLER

I N T E R N A L A U D I T

**FIRST FOLLOW-UP
COUNTYWIDE AUDIT OF
FIDUCIARY FUNDS:
HEALTH CARE AGENCY/
PUBLIC GUARDIAN**

AS OF FEBRUARY 28, 2017



**Audit Number 1519-F1 (Reference 1634-H)
Report Date: March 22, 2017**



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Transmittal Letter

Audit No. 1519-F1
(Reference 1634-H)

March 22, 2017

TO: Mark Refowitz, Director
Health Care Agency/Public Guardian

SUBJECT: First and **Final Close-Out** Follow-Up Countywide Audit of Fiduciary Funds:
Health Care Agency/Public Guardian, Original Audit No. 1519, Issued May 6, 2016

We have completed our First and Final Close-Out Follow-Up on Countywide Audit of Fiduciary Funds for the Health Care Agency/Public Guardian as of February 28, 2017. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior quarter and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this Follow-Up Audit will be included in future status reports to the AOC and BOS.

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Eric H. Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Lilly Simmering, Deputy Chief Operating Officer
- Richard Sanchez, Assistant Agency Director, HCA
- Mary Hale, Deputy Agency Director, HCA Behavioral Health
- Jeffrey Nagel, Director of Operations, HCA Behavioral Health
- Nedenia Lane, Public Guardian
- Anna Peters, Director of Administrative Services, HCA
- Adil Siddiqui, Chief Information Officer, HCA
- Tonya Riley, Director of Satellite Accounting, Auditor-Controller
- Salvador Lopez, Accounting Manager III, Auditor-Controller/HCA Accounting
- Frank Tuanai, Accounting Manager II, Auditor-Controller/HCA Accounting
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



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Audit No. 1519-F1 (Reference 1634-H)*

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Internal Auditor's Report

**Audit No. 1519-F1
(Reference 1634-H)**

March 22, 2017

TO: Mark Refowitz, Director
Health Care Agency/Public Guardian

FROM: Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

SUBJECT: First and **Final Close-Out** Follow-Up Countywide Audit of Fiduciary Funds:
Health Care Agency/Public Guardian, Original Audit No. 1519, Issued May 6, 2016

SCOPE

We completed a First Follow-Up Countywide Audit of Fiduciary Funds: Health Care Agency/Public Guardian (HCA). Our audit was limited to reviewing actions taken as of February 28, 2017, to implement the **two (2) recommendations** from our original audit.

BACKGROUND

We conducted a countywide audit of fiduciary funds. HCA had six fiduciary funds. Our audit of internal controls over the selected fiduciary funds administered by HCA was performed to ensure the funds were properly administered, safeguarded, and maintained in compliance with County policy, procedures, and specific fund requirements for the period from July 1, 2014 through June 30, 2015. Our original audit identified **two (2) Control Findings**.

RESULTS

Our First Follow-Up Audit found that HCA **implemented one (1) recommendation**, and we considered the **remaining recommendation closed** for the purpose of follow-up of the original audit. Because the recommendations were implemented/closed, **this report represents the final close-out of the original audit**.

Based on our First Follow-Up Audit, the following is the implementation status of the two (2) original recommendations:

Finding No. 1 – Fund 165 Reconciling Differences Need to be Resolved (Control Finding)

Recommendation No. 1: HCA/PG work towards resolving the long-outstanding reconciling differences in Fund 165.

Current Status: Closed. Our First Follow-Up Audit found that HCA/PG resolved \$2,271 of the total \$5,999 long-outstanding reconciling differences found during the original audit. We reviewed the January 2017 reconciliation and found an additional eight (8) reconciling items totaling \$5,876 remain unresolved due to ePAGES system errors. HCA/PG continues to track the reconciling differences caused by system errors and is preparing an Agenda Staff Report (ASR) for a replacement system. The ASR is planned for the April 25, 2017 Board of Supervisors meeting.



Internal Auditor's Report

Since HCA/PG is working toward a replacement system that is expected to resolve the system caused differences, we consider this recommendation closed for the purpose of the follow-up on the fiduciary funds audit. Implementation of this replacement system will be dispositioned in the Follow-Up Audit on Health Care Agency/Public Guardian Selected Processes & Controls as well as an Information Technology Audit to assist with the replacement system implementation.

Finding No. 2 – Fiduciary Fund Document Lacking Required Elements (Control Finding)

Recommendation No. 2: HCA/PG work with HCA Accounting to prepare a COFA for Fund 332 that includes all the required elements.

Current Status: **Implemented.** Our First Follow-up Audit found that HCA/PG updated the Chart of Accounts (COFA) for Fund 332 on October 27, 2016. HCA/PG also reviewed other funds and submitted an updated COFA for Fund 240. Both COFA's included all the required elements per County Accounting Manual Procedure F-3. Because of the actions taken by the HCA/PG, we consider the recommendation implemented.

We appreciate the assistance extended to us by the personnel of Health Care Agency/Public Guardian during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-5442 or Scott Suzuki, Assistant Director at (714) 834-5509.